

United States General Accounting Office

GAO

Report to the Honorable
Andy Ireland,
House of Representatives

March 1991

NAVAL AVIATION

Navy A-12 Aircraft Funding Status





United States
General Accounting Office
Washington, D.C. 20548

National Security and
International Affairs Division

B-243311

March 22, 1991

The Honorable Andy Ireland
House of Representatives

Dear Mr. Ireland:

On March 5, 1991, we briefed your staff in response to your request for information on funding, expenditures, and progress payments for the Navy's A-12 aircraft program, which was terminated on January 7, 1991. This report provides that information.

Results in Brief

Total appropriations for the A-12 program, including research conducted before the full-scale development phase as well as production funding, totaled just over \$6.7 billion. At termination, just under \$3 billion had been spent on the program. Research and development and miscellaneous support costs accounted for about \$300 million of the amount spent. Of the remaining \$2.6 billion paid to the contractor team for the full-scale development effort and \$0.1 billion for the first two production options, the Navy demanded that \$1.35 billion be returned. This amount represented progress payments that the Navy made for work it had not yet accepted as of the date of the termination.

Background

In the 1980s the Navy began a program to replace its aging fleet of A-6 medium attack aircraft with a new aircraft—the A-12—with stealth technology. In January 1988 the Navy awarded the team of General Dynamics and McDonnell Douglas Aerospace Corporation a \$4.4 billion fixed-price incentive contract for the full-scale development phase of the program.¹ It was envisioned that once the A-12 was developed for the Navy, the Air Force would develop a version of the plane—the Advanced Tactical Aircraft—to replace its F/B-111 and F-15E aircraft. In December 1989 the Secretary of Defense directed a Major Aircraft Review of four aircraft programs, including the A-12. As a result of this review's findings, the Secretary of Defense testified in April 1990 that the A-12's projected first flight would take place by early 1991 and that the full-scale development program would be completed within the original contract cost estimate. However, in June 1990 the contractor team advised the Navy that an additional slip would occur in the schedule for

¹This \$4.4 billion amount represented the target price that the Navy would pay. The contract also had a ceiling price of \$4.8 billion; the Navy and the contract team would share the costs between target and ceiling prices. Any costs over the ceiling price would be paid by the contractor team.

first flight, the work would exceed the contract ceiling by an amount that the contractor team could not absorb, and certain performance specifications could not be met.

On January 7, 1991, the Navy terminated the A-12 contract for default because of the difficulties that the contractor team was having in executing the contract and because the Secretary of Defense decided against restructuring the contract.

Total Appropriations

Funds for the A-12 program were appropriated to the Navy for Research, Development, Test, and Evaluation and Aircraft Procurement–Navy. Table 1 shows the amounts appropriated, obligated, and spent from each account as of February 25, 1991.

Table 1: Appropriations for the A-12 Program for Fiscal Year 1991 and Prior Years

Dollars in millions			
Account	Appropriated	Obligated	Expended
Research, Development, Test, and Evaluation	\$4,734.1	\$2,896.8	\$2,853.1
Aircraft Procurement–Navy	2,003.0	114.2	113.2
Total	\$6,737.1	\$3,011.0	\$2,966.3

Funding for Full-Scale Development

Funds for the full-scale development contract included Research, Development, Test, and Evaluation funds and Aircraft Procurement–Navy funds because the development contract included the first two production options. Table 2 shows the amounts originally obligated for the full-scale development contract, the amounts deobligated when the contract was terminated, and the amounts spent.

Table 2: Obligations and Expenditures for the A-12 Full-Scale Development Contract

Dollars in millions			
Account	Obligated	Deobligated	Expended
Research, Development, Test, and Evaluation	\$3,499.8	\$917.2	\$2,582.6
Aircraft Procurement–Navy	1,382.9	1,278.4	104.5
Total	\$4,882.7	\$2,195.6	\$2,687.1

Request for Return of Progress Payments

Although the Navy made \$2,687.1 million in progress payments to the contractor team, only a portion of that amount was for items actually received (principally six design review products). The rest was for contractor work that had not yet been delivered at the time the contract was terminated. As a result, the Navy demanded that this portion of the progress payments be returned. Table 3 shows this information by appropriation.

Table 3: Repayment Demanded on Full-Scale Development Contract

Dollars in millions			
Account	Expended	Value of items received	Repayment amount
Research, Development, Test, and Evaluation	\$2,582.6	\$1,334.7	\$1,247.9
Aircraft Procurement-Navy	104.5	0	104.5
Total	\$2,687.1	\$1,334.7	\$1,352.4

Scope and Methodology

To accomplish our work, we gathered information from the Navy's A-12 Program Office in Crystal City, Virginia. We conducted our review from January through March 1991 in accordance with generally accepted government auditing standards. As agreed, we did not obtain official agency comments on this report. However, we discussed the information in this report with Navy program officials. They agreed that the information was factually correct.

We are sending copies of this report to the Secretaries of Defense and the Navy, appropriate congressional committees, and the Director of the Office of Management and Budget. We will also make copies available to others.

Please contact me on (202) 275-6504 if you or your staff have any questions concerning this report. Major contributors to this report are William C. Meredith, Assistant Director, Jerry W. Clark, Evaluator-in-Charge, and Joseph P. Raffa, Evaluator, National Security and International Affairs Division, Washington, D.C.

Sincerely yours,

A handwritten signature in black ink, appearing to read "Martin M. Ferber". The signature is written in a cursive style with a long horizontal stroke at the end.

Martin M Ferber
Director, Navy Issues

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